Quarterly Report

Q4-11

Asset Class Performance (gross of fees) – periods ending December 31, 2011

			Annualized Return						Published Calendar Year Returns^^^						
	Qtr	YTD	1-Year	3-Year	5-Year	7-Year	ITD	Inception Date^	2010	2009	2008	2007	2006	% of Total Fund	Market Value ($)
Total Fund	**4.8**	**-0.0**	**-0.0**	**7.7**	**-0.3**	**2.8**	**8.4**	**07/1984**	**13.2**	**10.8**	**-26.8**	**7.3**	**13.9**	**100.0%**	**1,765,613,620**
Policy Index^^	***4.8***	***1.1***	***1.1***	***8.4***	***1.1***	***3.7***	***9.4***		***11.0***	***15.9***	***-24.0***	***8.1***	***13.9***		
US Equity	**12.0**	**0.4**	**0.4**	**16.4**	**0.2**	**3.1**	**9.7**	**01/1984**	**21.4**	**29.3**	**-38.2**	**4.5**	**14.1**	**28.7%**	**506,949,990**
Russell 3000 Index	***12.1***	***1.0***	***1.0***	***14.9***	***0.0***	***3.0***	***10.1***		***16.9***	***28.3***	***-37.3***	***5.1***	***15.7***		
Attucks Aggregate (formerly Maxam)	10.6	-0.1	-0.1	15.6	---	---	1.2	04/2007	20.2	28.7	-37.6	---	---	6.2%	108,764,746
Russell 3000 Index	*12.1*	*1.0*	*1.0*	*14.9*	*---*	*---*	*-0.3*		*16.9*	*28.3*	*-37.3*	*---*	*---*		
BlackRock Russell 1000	11.9	1.6	1.6	---	---	---	8.6	01/2010	16.2	---	---	---	---	6.8%	119,990,361
Russell 1000 Index	*11.8*	*1.5*	*1.5*	*---*	*---*	*---*	*8.6*		*16.1*	*---*	*---*	*---*	*---*		
RhumbLine Russell 1000	11.7	1.4	1.4	---	---	---	16.5	07/2010	---	---	---	---	---	12.6%	223,334,992
Russell 1000 Index	*11.8*	*1.5*	*1.5*	*---*	*---*	*---*	*16.6*		*---*	*---*	*---*	*---*	*---*		
Fisher Small Cap Value^^^^	17.3	-5.0	---	---	---	---	-5.0	02/2011	---	---	---	---	---	3.1%	54,859,891
Russell 2000 Value Index	*16.0*	*-5.6*	*---*	*---*	*---*	*---*	*-5.6*		*---*	*---*	*---*	*---*	*---*		
Non-U.S. Equity	**3.3**	**-12.8**	**-12.8**	**10.2**	**-3.7**	**2.8**	**4.5**	**01/1994**	**12.8**	**36.1**	**-43.7**	**9.9**	**26.9**	**23.7%**	**417,843,378**
MSCI EAFE Index ND*	***3.3***	***-12.1***	***-12.1***	***7.6***	***-4.7***	***1.7***	***4.2***		***7.8***	***31.8***	***-43.4***	***11.2***	***26.3***		
BlackRock EAFE Sudan-Free	3.3	-11.7	-11.7	---	---	---	10.2	05/2009	8.2	---	---	---	---	10.6%	187,049,601
MSCI EAFE Sudan-Free Index ND	*3.4*	*-12.1*	*-12.1*	*---*	*---*	*---*	*9.9*		*7.7*	*---*	*---*	*---*	*---*		
DFA Intl Large Cap Value	3.2	-16.5	-16.5	9.1	-5.0	---	-2.3	09/2006	11.1	40.1	-46.1	10.2	---	2.4%	42,956,084
*MSCI World ex US Value ND***	*3.0*	*-11.7*	*-11.7*	*8.2*	*-5.5*	*---*	*-3.2*		*4.8*	*36.7*	*-44.3*	*6.9*	*---*		
DFA Intl Small Cap	1.4	-14.8	-14.8	14.9	-2.0	4.7	12.9	05/2003	24.6	42.7	-43.6	5.7	24.9	5.0%	88,661,354
*MSCI World ex US Small Cap ND (blend)****	*0.7*	*-15.8*	*-15.8*	*16.5*	*-3.2*	*3.5*	*11.4*		*24.5*	*50.8*	*-48.0*	*3.3*	*19.5*		
Russell Transition Account****	4.9	-11.5	-11.5	---	---	---	-11.5	01/2011	---	---	---	---	---	5.6%	99,176,339
*MSCI EAFE Index ND******	*3.3*	*-12.1*	-12.1	*---*	*---*	*---*	-12.1		*---*	*---*	*---*	*---*	*---*		
U.S. Fixed Income	**2.0**	**7.0**	**7.0**	**11.5**	**5.2**	**5.0**	**8.0**	**01/1984**	**7.4**	**19.5**	**-4.3**	**4.4**	**5.1**	**20.8%**	**366,767,269**
Barclays U.S. Universal Index***	***1.4***	***7.4***	***7.4***	***7.7***	***6.4***	***5.7***	***8.3***		***7.2***	***8.6***	***2.4***	***6.5***	***5.0***		
PIMCO Total Return	1.9	4.7	4.7	---	---	---	6.5	12/2009	9.6	---	---	---	---	6.5%	115,606,469
Barclays U.S. Universal Index	*1.4*	*7.4*	*7.4*	*---*	*---*	*---*	*6.3*		*7.2*	*---*	*---*	*---*	*---*		
Reams Asset	3.5	8.4	8.4	16.5	9.2	7.9	7.5	01/2002	10.6	32.0	-9.1	8.0	6.3	4.7%	82,190,329
Barclays U.S. Universal Index	*1.4*	*7.4*	*7.4*	*7.7*	*6.4*	*5.7*	*6.0*		*7.2*	*8.6*	*2.4*	*6.5*	*5.0*		
Western Asset	1.6	7.6	7.6	12.0	6.4	5.8	6.6	10/2001	10.2	18.5	-7.0	4.3	6.2	6.0%	106,607,006
Barclays U.S. Universal Index	*1.4*	*7.4*	*7.4*	*7.7*	*6.4*	*5.7*	*5.9*		*7.2*	*8.6*	*2.4*	*6.5*	*5.0*		
Pugh Capital	0.9	8.2	8.2	8.2	7.2	6.2	7.0	11/1994	7.4	9.1	4.6	6.8	4.6	3.5%	62,363,465
Barclays U.S. Aggregate Index	*1.1*	*7.8*	*7.8*	*6.8*	*6.5*	*5.6*	*6.8*		*6.5*	*5.9*	*5.2*	*7.0*	*4.3*		

^Inception date for the Total Fund and asset classes is the month/year of the earliest historical return available; for managers it is the month/year of the manager's first full month of performance available since funding. Note, the earliest historical return available for the Total Fund is 1/1984, however the earliest historical return available for the Policy Index is 7/1984.

^^Current policy benchmark consists of 31% Russell 3000, 27% MSCI EAFE ND, 20% BC Universal, 7% CPI+3%, 4% Russell 3000+3% (qtr lagged), and 11% NCREIF ODCE (qtr lagged). The policy benchmark allocation utilizes the policy target allocation effective January 2011. The 2011 policy target includes a 6% allocation to Covered Calls (CBOE BXM). Until the Covered Calls mandate is implemented, its 6% target allocation is included in the U.S. Equity target (Russell 3000). Beginning with the 4Q2011 report, the policy benchmark composition was changed as the MSCI EAFE GD was replaced with the MSCI EAFE ND, and the NCREIF NPI (qtr lagged) was replaced with the NCREIF ODCE (qtr lagged). The retroactive change of the non-U.S. equity benchmark is in-line with SCERS' current non-U.S. equity managers' benchmarks (shown net of dividends). The retroactive change of the real estate benchmark reflects that SCERS' real estate managers have been utilizing leverage historically. The new real estate benchmark was approved by the Board at its meeting on 1/10/2012. The changes are retroactive to 7/1/2007 (to account for the introduction of the real estate quarter lag) when PCA began calculating the policy benchmark.

^^^Total Fund, Policy Index, asset class, and manager 1-year returns are shown as published in each respective calendar year's fourth quarter report. These returns do not reflect any retroactive changes following publication.

^^^^A partial YTD return is shown; calculated since the fund's inception (February 2011).

*The benchmark changed retroactively from MSCI EAFE GD to MSCI EAFE ND for all time periods measured beginning the 4Q2011 report. The retroactive change to the benchmark is in-line with SCERS' current non-U.S. equity managers' benchmarks (shown net of dividends).

**The benchmark changed retroactively from MSCI EAFE Value GD to MSCI World ex US Value ND; this change was approved by the Board on 10/5/2011.

***MSCI EAFE Small Cap GD 5/1/2003-6/30/2005; MSCI World ex US Small Cap ND 7/01/2005-present; this change was approved by the Board on 10/5/2011.

****In January 2011 the account was in the process of transitioning assets described on page 13. Beginning February 2011 the account solely held EAFE ETFs.

*****The benchmark changed retroactively from MSCI EAFE GD to MSCI EAFE ND as of the 4Q2011 report to match the manager's benchmark.

******For Inception to Date period: BC U.S. Universal 1/01/1990 - present, BC U.S. Aggregate prior

Quarterly Report

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Asset Class Performance (gross of fees) – periods ending December 31, 2011

			Annualized Return						Published Calendar Year Returns^^						
	Qtr	YTD	1-Year	3-Year	5-Year	7-Year	ITD	Inception Date^	2010	2009	2008	2007	2006	% of Total Fund	Market Value ($)
Real Return	**0.3**	**0.7**	**0.7**	**---**	**---**	**---**	**0.7**	**01/2011**	**---**	**---**	**---**	**---**	**---**	**6.4%**	**113,476,942**
Consumer Price Index + 3.0%	***0.5***	***6.3***	***6.3***	***---***	***---***	***---***	***6.3***		***---***	***---***	***---***	***---***	***---***		
Advent Convertible Arbitrage Fund***	---	---	---	---	---	---	---	04/2003	---	---	---	---	---	0.1%	1,409,932
Attalus Long/Short Equity Fund	-1.6	-4.7	-4.7	2.5	0.9	---	2.7	01/2006	3.5	9.2	-17.3	17.3	12.2	0.9%	16,105,425
BlackRock Quantitative Strategic Partners Inc.	0.8	2.7	2.7	11.8	2.9	4.6	7.8	01/1999	9.8	23.8	-24.9	10.1	12.8	4.7%	83,275,618
Russell TIPS****	---	0.2	---	---	---	---	0.2	12/2011	---	---	---	---	---	0.7%	12,685,967
Consumer Price Index + 3.0%	*0.5*	*6.3*	*6.3*	*5.5*	*5.4*	*5.6*	*---*		*4.5*	*5.8*	*3.1*	*7.2*	*5.6*		
Private Equity (lagged)*	**0.5**	**12.3**	**12.3**	**2.7**	**---**	**---**	**4.7**	**04/2007****	**---**	**---**	**---**	**---**	**---**	**3.4%**	**60,354,170**
Russell 3000 + 3.0% (lagged)	***-14.6***	***3.6***	***3.6***	***4.5***	***---***	***---***	***0.5***		***---***	***---***	***---***	***---***	***---***		
Babson	6.8	22.2	22.2	6.6	9.1	---	9.2	01/2006	7.8	-8.0	7.2	18.7	10.1	0.4%	6,477,425
Bison	-3.4	16.4	16.4	17.2	---	---	14.8	04/2007	22.5	13.0	9.9	---	---	0.4%	6,553,584
BlackRock Co-Investment	4.4	22.7	22.7	4.2	7.7	---	7.5	12/2006	14.5	-19.4	14.0	7.8	---	0.3%	4,566,841
Capital Point Partners	4.2	20.5	20.5	15.7	---	---	14.2	01/2008	14.1	12.8	9.8	---	---	0.3%	4,737,944
Carlyle Mezzanine Partners	2.1	15.7	15.7	-8.8	2.3	---	3.9	01/2006	-7.7	-29.0	4.5	41.3	12.3	0.3%	6,009,721
Imperium Renewables	0.0	-24.3	-24.3	-32.0	---	---	-21.3	03/2007	0.0	0.0	0.0	---	---	0.2%	4,085,551
Nogales Investors Fund II	1.7	12.4	12.4	9.0	-8.2	---	-8.0	12/2006	7.1	7.5	12.1	---	---	0.2%	3,230,555
Oaktree Capital Mezzanine	3.9	16.4	16.4	9.1	8.5	---	7.6	03/2006	18.0	-5.5	4.3	11.0	---	0.4%	7,895,207
Schemalogic	0.0	0.0	0.0	---	---	---	0.0	09/2010	---	---	---	---	---	0.1%	1,391,362
Smith Whiley Pelham Fund	0.5	3.4	3.4	16.7	11.1	---	10.3	09/2006	22.4	25.8	22.6	-15.0	---	0.4%	6,543,412
Sonics, Inc.	0.0	-31.1	-31.1	---	---	---	-24.4	09/2010	---	---	---	---	---	0.0%	174,471
TCW	-8.9	8.6	8.6	5.7	2.4	---	2.1	06/2006	13.5	-4.2	2.2	-6.8	---	0.4%	7,798,380
Verdiem Corp.	0.0	-25.8	-25.8	---	---	---	-20.0	09/2010	---	---	---	---	---	0.0%	718,107
Widevine Technologies	0.0	145.6	145.6	---	---	---	96.2	09/2010	---	---	---	---	---	0.0%	171,610
Russell 3000 + 3.0%	*-14.6*	*3.6*	*3.6*	*4.5*	*2.1*	*---*	*---*		*14.3*	*-3.6*	*-19.1*	*20.0*	*13.5*		
Real Estate (lagged)*	**1.1**	**11.9**	**11.9**	**-8.4**	**-2.0**	**3.7**	**7.7**	**01/1994**	**0.1**	**-31.3**	**-10.6**	**15.7**	**18.3**	**10.7%**	**188,821,435**
NCREIF ODCE (gross) (lagged)***	***3.5***	***18.3***	***18.3***	***-6.4***	***0.0***	***5.0***	***8.2***		***7.0***	***-35.2***	***3.2***	***18.2***	***17.5***		
American Core Realty Fund	3.2	16.1	16.1	-6.9	-0.6	---	0.4	03/2006	2.7	-32.4	5.3	17.8	---	0.5%	9,451,053
Carlyle Realty Fund IV	-0.2	-8.1	-8.1	-23.9	-9.4	---	-7.1	06/2005	-6.5	-49.0	-16.4	65.9	0.5	0.5%	9,146,358
JP Morgan Combined Real Estate	3.5	19.2	19.2	---	---	---	19.2	01/2011	---	---	---	---	---	3.9%	69,281,451
JP Morgan Tactical Allocation Program	-2.7	13.1	13.1	-3.2	-0.3	5.9	9.6	10/1999	13.6	-29.4	-18.2	7.2	23.0	3.4%	59,554,840
TA Associates Realty Fund VI	1.9	5.1	5.1	-7.4	3.3	6.1	7.6	04/2003	-9.2	-17.0	17.9	25.6	3.6	0.4%	6,486,923
TA Associates Realty Fund VII	2.5	4.4	4.4	-12.8	-1.5	---	1.7	09/2005	-22.4	-18.3	18.7	17.9	4.3	0.6%	10,726,850
TA Associates Realty Fund VIII	1.6	5.3	5.3	-10.2	-4.3	---	-4.2	12/2006	-18.7	-15.4	10.2	0.8	---	0.8%	13,536,104
Washington Capital	4.5	13.6	13.6	-8.4	-1.6	---	3.2	09/2005	-4.4	-29.4	-2.4	14.3	20.5	0.6%	10,637,856
*NCREIF ODCE (gross) (lagged)******	*3.5*	*18.3*	*18.3*	*-6.4*	*0.0*	*5.0*	*---*		*7.0*	*-35.2*	*3.2*	*18.2*	*17.5*		
Cash & Cash Equivalents	**0.2**	**1.0**	**1.0**	**2.2**	**3.3**	**3.2**	**5.4**	**10/1986**	**2.7**	**2.9**	**4.5**	**5.6**	**3.5**	**3.9%**	**69,721,064**
Citigroup 3-Month T-Bills	***0.0***	***0.1***	***0.1***	***0.1***	***1.4***	***2.1***	***4.0***		***0.1***	***0.2***	***1.8***	***4.7***	***4.8***		

^Inception date for asset classes is the month/year of the earliest historical return available; for managers it is the month/year of the manager's first full month of performance available since funding.

^^Asset class and manager 1-year returns are shown as published in each respective calendar year's fourth quarter report. These returns do not reflect any retroactive changes following publication.

*All Private Equity and Real Estate asset class and manager returns are lagged one quarter, with the exception of the BlackRock Co-Investment fund which is lagged two quarters.

**The dedicated Private Equity aggregate was established 1/2011. Aggregate returns prior to 1/2011 are shown for illustrative purposes only and were calculated utilizing the managers currently shown. Aggregate returns prior to 4/2007 are unavailable.

***SCERS' investment in Advent was redeemed in 4Q2011. Remaining balance reflects 10% of proceeds that is held until audit is final.

****A partial YTD return is shown; calculated since the fund's inception (December 2011).

*****The benchmark changed retroactively from NCREIF NPI to NCREIF ODCE for all time periods measured beginning the 4Q2011 report. The retroactive change to the benchmark reflects that SCERS' real estate managers have been utilizing leverage historically. The new benchmark was approved by the Board at its meeting on 1/10/2012.